LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 6517 | **NOTE PREPARED:** Jan 9, 2004
BILL NUMBER: SB 479 | **BILL AMENDED:**

SUBJECT: CHOICE Funding.

FIRST AUTHOR: Sen. Server | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
X **FEDERAL**

STATE IMPACT	FY 2004	FY 2005	FY 2006
State Revenues			
State Expenditures		20,456,800	
Net Increase (Decrease)		(20,456,800)	

Summary of Legislation: This bill allows the Health Finance Commission to study implementation of long-term care services.

The bill provides that money that was appropriated but not spent in a fiscal year for the Community and Home Options to Institutional Care and Disabled Program (CHOICE) does not revert and may be used in the following fiscal year for certain programs.

It also provides that provider rates for home and community-based services must be set to ensure that providers do not lose money and shall be set in the same manner that rates are set for CHOICE.

The bill also requires the Office of Medicaid Policy and Planning to develop procedures for eliminating reimbursement to nursing homes for unused beds. It requires the Division of Disability, Aging, and Rehabilitative Services and the Area Agencies on Aging to develop teams of volunteers to assist in the placement of persons in home and community-based service programs.

The bill appropriates CHOICE money that does not revert. It appropriates $5,456,800 to the Office of the Secretary of Family and Social Services (FSSA) for the CHOICE program for FY 2005. It also appropriates $10,000,000 from the state General Fund from federal Medicaid money for implementation of P.L.274-2003 for FY 2005. It further appropriates $5,000,000 from money received under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 for implementation of long-term care services and respite care services for FY 2005.

Effective Date: July 1, 2004.

Explanation of State Expenditures: This bill would allow the Health Finance Commission to study the implementation of P.L. 274-2003 providing long-term care services. This provision has no fiscal impact since the Commission may already do so. During the 2003 interim, the Commission heard testimony on the implementation progress of P.L. 274-2003.

The bill appropriates $5,456,800 from the General Fund to FSSA for the CHOICE program for FY 2005. The bill also appropriates $15 M from the General Fund to FSSA for additional long-term care services and caretaker support services. The bill is not specific as to whether these appropriations can be used within the Medicaid waiver program to leverage additional federal funds.

The bill also creates the CHOICE account as a nonreverting account within the General Fund. Money remaining in the account at the end of each state fiscal year is to be annually appropriated for CHOICE administration and services or for Medicaid waiver services for assisted living or adult foster care, depending upon the number of persons on the CHOICE waiting list.

Appropriation and reversion experience within the existing CHOICE account is presented below.

Fiscal Year	CHOICE Appropriation	Medicaid Waiver Transfer from CHOICE	Reversion to the General Fund
FY 2005	$ 48,673,544	$ 5.6 M	NA
FY 2004	$ 48,673,544	$ 5.6 M	NA
FY 2003	$ 48,683,904	$ 5.6 M	$ 5,456,852
FY 2002	$ 48,683,904	$ 5.6 M	$ 2,700,000
FY 2001	$ 42,623,785	$ 4.9 M	0
FY 2000	$ 42,623,785	$ 4.9 M	0
FY 1999	$ 37,482,455	$ 4.9 M	0

The fiscal impact of this bill would be dependent upon administrative decisions made by the State Budget Agency, FSSA, or the State Board of Finance. The nonreverting status of the account created by this bill does not guarantee that the CHOICE program would be permitted to increase the base level of services provided above the level budgeted and considered sustainable; or that the funds would remain available to the program for expenditure over time. Appropriations must be allotted by the State Budget Agency, FSSA may request the State Budget Agency to transfer funds within the Agency, and the State Board of Finance may transfer unused funds to the General Fund or to other agencies.

The bill requires that provider rates for services in the CHOICE program may not be reduced and that the rates continue to be separately bid by the individual Area Agencies on Aging. The bill further requires that the provider rates paid for home and community-based services in the Medicaid waivers must exceed the cost of providing the service. One of the requirements of the waiver process is cost neutrality for the federal government. OMPP must keep the average cost of each of the Medicaid waivers below the average cost of comparable institutional care. Achieving cost neutrality could become more difficult when the rates paid for waiver services are required to exceed the cost of providing the service; expanding the average cost of waiver participants while the state contains the cost of patients in nursing facilities by cutting facility reimbursement which is based on reported costs.

The bill also requires the 16 Area Agencies on Aging (AAAs) to work with the Division of Disability, Aging, and Rehabilitative Services (DDARS) to establish teams to identify individuals placed in nursing facilities who are willing and suitable recipients for home and community-based services. The teams may include volunteers who would receive training for this purpose from the AAAs. The Indiana Association of Area Agencies on Aging has indicated that staff oversight, coordination, and training for volunteers would be necessary. In addition the AAAs would incur volunteer expenses for Worker's Compensation, liability insurance, and mileage. The Association estimates that expenses for a statewide program might be as much as $1.5 M. There is some question as to whether the expenses incurred for volunteers by the AAAs would be eligible for federal administrative matching funds of 50%. It is clear that only expenses relating to the Medicaid waiver could be claimed for the federal match.

If the efforts of the teams of volunteers would result in an increase in the number of individuals diverted out of nursing facilities to less expensive home and community-based care, some savings within the Medicaid program could be achieved. The level of savings to be achieved would be dependent upon the number of individuals that would be able to return to their homes and the level of services needed to maintain them in their homes. For FY 2002, OMPP reported that average annual per capita expenditures for waiver recipients were $19,880, while the comparable estimated cost for nursing facility residents was $25,863; a savings of $5,983 per recipient. This represents a state share of savings of $2,274 per recipient annually.

The bill also requires OMPP to develop and employ procedures for eliminating state reimbursement to nursing homes for unused certified or licensed beds.

Expenditures in the Medicaid program are shared, with approximately 62% of program expenditures normally reimbursed by the federal government and 38% provided by the state. These percentages are exclusive of the adjustments in the federal matching rates allowed by the Jobs and Growth Tax Relief Reconciliation Act of 2003.

Explanation of State Revenues: The bill identifies the source of $15 M in General Funds as being federal Medicaid funds including temporary federal fiscal relief made available to the state in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This Act provided fiscal relief to the state in two parts.

The first is assistance for providing essential governmental services and covering the costs of federal intergovernmental mandates. Indiana's share of this piece of the federal money is $206,768,182 for FFY 2003 and FFY 2004.

The second piece of the federal fiscal relief is a temporary increase in Medicaid federal matching assistance payments (FMAP). FMAP is actually reimbursed to the state after an expenditure is made for services, so the amount of federal relief the state receives will be a percentage of what the state spends. OMPP has estimated the increased federal assistance for Medicaid to be $146.3 M for state FY 2004 only.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA, Division of Disability, Aging, and Rehabilitative Services.

Local Agencies Affected: Area Agencies on Aging.

Information Sources: Douglas Beebe, Deputy Director, Bureau of Aging and IN-Home Services, Division of Disability, Aging, and Rehabilitative Services, 317-232-7123; Melissa Durr, Executive Director, Indiana Association of Area Agencies on Aging, 317-202-0500 ext. 205; Medicaid Forecasts, Office of Medicaid Policy and Planning; and General Fund Reversions Summaries for SFY 1999-2003, State Budget Agency.

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